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Thailand

Poultry and Products

Annual

2005

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Report Highlights:
Thailand's poultry industry is continuing to recover and adapt after Highly Pathogenic Avian Influenza (HPAI) ravaged the industry in 2004. The Thai broiler industry is forecast to grow significantly in 2006 over the 2005 level in terms of broiler production, domestic consumption and exports.

Includes PSD Changes: No
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Table of Content

Summary

Thailand is on the road of recovery after Highly Pathogenic Avian Influenza (HPAI) ravaged the Thai poultry industry in 2004. HPAI incidents in Thailand have declined in 2005. Despite some problems in procuring breeding broiler stock from foreign suppliers, broiler meat production will grow modestly in 2005. Both domestic broiler meat consumption and exports are bouncing back quickly. The high stocks of broiler parts that troubled several packers in late 2004 and early 2005 have been absorbed and are no longer a problem. All integrated poultry producers are enjoying skyrocketing domestic prices and better export prices for cooked broiler meat in 2005.

Most integrated poultry producers are optimistic that the Thai broiler industry should continue to grow significantly in 2006. Broiler meat production is forecast to expand by 15-20 percent over the 2005 level, due to an anticipated reduction in HPAI incidents and continued growth in domestic consumption and exports. Domestic consumption may grow as much as 7 percent in 2006. Meanwhile, exports are forecast to increase 20-30 percent, mainly because Thai integrated broiler producers are able to increase cooked product supplies to meet the growing overseas demand.

Section I: Situation and Outlook

Production

Thailand's broiler meat production in 2006 should continue to grow by 15-20 percent over the 2005 level, due to the availability of unused production capacity among poultry processors and anticipated continued growth in domestic consumption and exports of cooked poultry.

The broiler meat production estimate for 2005 has been revised downward because poultry integrators in Thailand are reportedly having difficulties in procuring breeding stocks from foreign suppliers such as the United States and some European countries. Trade sources reported that producers of grandparent-stock (GP) in supplying countries, especially the U.S., scaled down production in 2004 after HPAI hit the Asian poultry industry. Although demand for breeding stocks in the Asian market is recovering in 2005, it will take at least 6-12 months for GP breeders to increase supply to catch up with the demand. In addition, unjustified bureaucratic regulations imposed by the Thai authorities have disrupted the normal flow of international breeding poultry trade in Thailand. For example, despite Newcastle being endemic in Thailand, Thai authorities recently banned imports of poultry breeding stocks from the U.K. due to Newcastle disease outbreak in this country. In addition, in September 2005 the Department of Livestock Development (DLD) immediately began implementing its requirement of auditing individual farms/slaughterhouse facilities in exporting countries which want to export live animals and animal products to Thailand. While USDA is in the process of negotiating with Thai authorities, this action may disrupt the export of U.S. breeding chicks to Thailand for the rest of 2005.

Although several animal health experts agree that the disease may have already become endemic to Thailand, trade sources believe that the incidences in bird flocks should decline for years to come due to heavy depopulation measures, increased efficient biosafety control among integrated poultry processors, and application of illegal vaccines in the flocks of layer chicken and fighting cocks. The incidence of HPAI in Thai bird flocks has apparently declined in 2005. According to the Department of Livestock Development (DLD), the cumulative figures for HPAI outbreaks in Thailand from July 1 to August 29, 2005, totalled only 8 flocks in Suphanburi province, as compared to 83 flocks in 11 provinces from February 1 to May 3, 2005. In addition, the affected populations in 2005 have been mostly native chickens, ducks, and layering quails and chickens.

HPAI, which first hit Thailand in November 2003 and reoccurred in mid 2004, severely affected the Thai broiler industry in 2004. The public, both domestically and internationally, questioned the Royal Thai Government (RTG)'s transparency over the handling of the HPAI outbreak. At the same time, both exports and domestic consumption of chicken meat in 2004 dropped sharply. As a result, it is estimated that integrated chicken operations in Thailand may lose about 5.0-6.0 billion baht (US$ 137 million) in 2004.

Although there is growing concern among the leading international health organizations that the HPAI disease virus might mutate to be transmissible between people, most Thai broiler entrepreneurs are quite optimistic that, if the disease outbreak does not develop a human-to-human transmission vector, Thailand's broiler industry will be able to have healthy growth in terms of broiler production in the next 3-5 years.

The heavy losses of 2004 made it financially difficult for several export-oriented processors. However, creditors have been flexible in their financing policies to assist these troubled entrepreneurs. For example, one of the largest broiler processing companies was reportedly successful in refinancing, covering its cash flow needs. Trade sources reported that most of the poultry processors are able to access new financing to invest in production lines of cooked products for export. As a result, broiler meat supplies, especially cooked products, will be easily increased when the demand picks up.

While AI vaccination is prohibited, it is widely rumored that several poultry raisers, especially layer farmers and fighting cock breeders, have used smuggled vaccines obtained from China and Hong Kong.

Average live broiler production costs in 2005 are estimated to decline by 5-10 percent due mainly to less expensive feed ingredients (especially soybean meal and corn).

Consumption

Despite a trend upward toward domestic prices for chicken meat, domestic consumption in 2006 is forecast to grow further by 7 percent because of increasing confidence in the safety of cooked chicken meat among Thai consumers and relatively competitive prices of chicken meat against other meats.

After a sharp drop in domestic consumption in 2004, broiler meat consumption in 2005 is estimated to recover from the 2004 level to 710,000 tons, which still fell short of record consumption in 2003 (775,000 tons). Improved disease controls have rebuilt consumer confidence in the safety of chicken meat. In addition, several integrators dumped their stocks of non-exportable chicken parts, especially leg quarters, into the domestic market in early 2005.

Supply bottlenecks coupled with increasing demand have led domestic prices to increase sharply. Domestic prices for live broilers are currently at 39-40 baht/kg (44-45 cents/pound), compared to 29-30 baht/kg (33-34 cents/pound) in Janaury 2005. Retail prices for chicken boneless breast meat in Bangkok are 68-70 baht/kg (77-80 cents/pound), up from 53-54 baht/kg (73-75 cents/pound) in January 2005.

Trade

Thai broiler meat exports in 2006 should continue to grow by 20-30 percent over the 2005 level, mainly because of the market value of Thai cooked products (in terms of quality and prices) over such other competitors as China and Brazil and because of the ability of Thai producers to increase cooked product supplies quickly. However, this export level (400,000 tons) still falls far short of the record exports of 2003 (545,000 tons). Trade sources foresee that these total exports should remain cooked products only because a likelihood of continued import suspensions of Thai uncooked chicken meat by the governments of importing countries. The EU, Japan, South Korea, Singapore, and Hong Kong will remain major buyers of Thai cooked products.

Trade disruptions with the leading importing countries heavily troubled all integrated broiler producers in 2004. First, a few large integrated operations had just completed full plant and farming capacity integration while taking on debt to pay for the improvements. Second, most small and medium scale operations had not focused on cooked products before the crisis - a ban on uncooked products forced these operations to attempt to switch their production into cooked products. Third, all producers competed fiercely to sell their cooked products at lower prices. As a result, exports of uncooked broiler meat almost disappeared in 2004 and total exports (cooked and uncooked meat) dropped significantly from the record exports of 545,000 tons in 2003 to only 220,000 tons in 2004. However, all integrated processors appear to have adjusted themselves to this new trade environment much better in 2005. Exports in 2005 are likely to recover sharply over those in 2004 when HPAI hit the Thai poultry industry.

As Thailand no longer exports uncooked chicken products, there are no export price quotations on basic uncooked items such as boneless leg (BL) and skinless boneless breast (SBB) from Thailand. Trade sources reported that C&F price quotations for cooked products are in a wide range of US$ 2,800-4,000/ton. Prices for fried box-shape-cut boneless leg, one of the basic cooked products, have increased from US$ 2,200-2,400/ton in early 2005 to currently US$ 2,800-3,000/ton. Meanwhile, prices for high value-added items, such as grilled seasoned boneless meat in stick, are still very profitable at US$ 3,500-4,000/ton. Cooked chicken products are normally made-to-order meat products that are processed or prepared by heat (such as grilling, steaming, boiling, etc.). Some of these cooked meat products are puffed or seasoned (with salt, Japanese sauce, etc.).

Stocks

Due to heavy sales of leg quarter stocks into the domestic market and a growth in demand that outstripped production throughout the most of 2005, ending stocks of broiler meat in 2005 are estimated to level off from 130-140,000 tons in 2004 to 80,000 tons or about 1.0-1.5 months of total consumption. Trade sources report that the usual carry over is around 1-2 months.

Policy

In general, Thailand's policy for the poultry industry has not changed from the previous report. Thailand does not conduct price support or export subsidy programs. Because of the HPAI outbreak, the Royal Thai Government (RTG) launched several measures to cope with the disease and to support the poultry industry, from small-scale farmers to integrated poultry processors. These measures include the HPAI Stamping-Out Campaign on poultry farms/areas, a compensation scheme for disease-affected farmers, fee exemptions for chicken slaughterhouses, and outreach to help unemployed workers/operators. More details in these programs are available in reports TH4088 and TH5011.

Thailand is a protected poultry market through the RTG's use of non-transparent controls on import permits (potential importers are unable to get them issued), high WTO bound rates of import tariff (currently 30 percent for chilled or frozen uncooked meat and 40 percent for cooked chicken meat), and a discriminatory import permit fee on uncooked products (approx. US$ 250/ton).

As a result of these import control practices, the U.S. is successful only in supplying commodities that do not compete with domestic production, including broiler genetics and turkey meat. However, Thailand often ignores international standards recommended by the World Animal Health Organization (OIE) by putting in place extremely stringent import procedures or even banning imports outright. In most cases, Thailand fails to notify the World Trade Organization (WTO) of changes in its import regulations.

In early 2004, the Department of Livestock Development (DLD) imposed an import suspension on live poultry and poultry carcasses, cooked or uncooked, from all states in the United States only when there were findings of Avian Influenza in a few states, most of which were low pathogenic type. The DLD reacted slowly to USDA's request to lift the ban, taking about a half year to lift the ban after receiving notification of the eradication of the Texas HPAI outbreak.

In addition, in September 2005 the DLD immediately began implementing its requirement of auditing individual farm/slaughterhouse facilities in exporting countries which want to export live animals and animal products to Thailand. No attempt was made to negotiate with the U.S. industry or USDA to discuss inspection visits prior to implementation. Although the DLD claimed that the requirements, which were issued in late 1999, had been waived until 2005, their immediate implementation severely affected the U.S. poultry trade, especially poultry breeding stocks and turkey meat. In addition, the DLD is unlikely to respond to USDA's request to consider a "system audit" instead of DLD's desired "plant-by-plant" or "farm-by-farm" audit. The implementation of this requirement, if unresolved, may hurt U.S. exports of broiler breeding stocks and turkey meat, with total value of US$ 16 million per annum.

Marketing and U.S. Opportunities

Thailand is a potential market for U.S. chicken parts (especially leg-quarters), mechanically deboned meat (MDM), and value-added chicken meat. Thai local consumers, like those in other Asian countries, prefer dark meat to white meat. Recent official data indicated that prices for bone-in legs in the Thai market are only 9-10 percent cheaper than breast meat, as compared to an approximately 30 percent differential in the U.S. market. In a preliminary price analysis, FAS/Bangkok found that the hypothetical costs of U.S. leg-quarters imported to Thailand should be 10-20 percent cheaper than the domestic wholesale prices for leg-quarters sold in Bangkok. This is also the case for MDM. Potential buyers for chicken parts and MDM should be food processors (sausage processors in the case of MDM) and supermarkets. Value-added chicken meat can also be introduced to modern retail markets and HRI industry. Thailand may import bone-in-leg meat for processing in Thailand and re-export it to such markets as Japan and non-EU countries. The current existence of the HPAI outbreaks in Thailand should offer opportunities for Thai processors to source raw material from the U.S. and add flavorings, treatments, and cook for re-export.

Thailand has previously been a promising market for U.S. turkey meat. Because of a ban on U.S. poultry, the official imports of turkey meat (reported by the Thai Customs Department) dropped from about US$ 100,000 in 2003 to only US$ 26,000 in 2004. As a result, the U.S. market share in 2004 dropped from the normal 90-100 percent of total imports to 44 percent. The users of imported turkey meat are mostly fine hotels/restaurants and modern trade supermarkets in large cities.

Section II: Statistical Tables

Table 1: Thailand's PS&D Table for Poultry, Meat, Chicken – 16 wks.

PSD Table

Country Thailand

Commodity Poultry, Meat, Broiler

(1000 MT)(MIL HEAD)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[N	DA Official [	Estimate[N	DA Official [	Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD
Beginning Stocks	90	90	140	140	100	80	(1000 MT)
Production	900	900	940	950	0	1120	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	990	990	1080	1090	100	1200	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	215	220	270	300	0	400	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	215	220	270	300	0	400	(1000 MT)
Human Consumption	615	620	690	690	0	750	(1000 MT)
Other Use, Losses	20	10	20	20	0	10	(1000 MT)
Total Dom. Consumption	635	630	710	710	0	760	(1000 MT)
TOTAL Use	850	850	980	1010	0	1160	(1000 MT)
Ending Stocks	140	140	100	80	0	40	(1000 MT)
TOTAL DISTRIBUTION	990	990	1080	1090	0	1200	(1000 MT)
Calendar Yr. Imp. from U	0	0	0	0	0	0	(1000 MT)

Table 2: Wholesale Prices for Live Broilers in Bangkok

Country	Thailand		
Commodity	Poultry, Meat, Broiler		
Prices in	Baht	per uom	Kilogram
Year	2004	2005	% Change
Jan	26	30	15%
Feb	14	30	114%
Mar	26	31	19%
Apr	30	32	7%
May	27	30	11%
Jun	26	30	15%
Jul	25	31	24%
Aug	24		-100%
Sep	27		-100%
Oct	22		-100%
Nov	21		-100%
Dec	26		-100%
Exchange Rate	41.5	Local Currency/US $	
Date of Quote	9/1/2005	MM/DD/YYYY	

Source: Department of Internal Trade, Ministry of Commerce

Table 3: Retail Prices for Skinless Boneless Broiler Meat in Bangkok

Prices Table

Country Thailand

Commodity Poultry, Meat, Broiler

Prices in Baht per uom Kilogram

Year	2004	2005	% Change
Jan	63	55	-13%
Feb	54	60	11%
Mar	62	62	0%
Apr	63	66	5%
May	63	68	8%
Jun	63	58	-8%
Jul	61	68	11%
Aug	61		-100%
Sep	58		-100%
Oct	56		-100%
Nov	54		-100%
Dec	53		-100%

Exchange Rate	41.5	Local Currency/US $
Date of Quote	9/1/2005	MM/DD/YYYY

Source: Department of Internal Trade, Ministry of Commerce

Table 4: Thailand's Broiler Meat Exports in 2004 (Jan-Dec)

Destination	Uncooked Meat	Further Processed	Total Exports
ASIA	**14,653**	**116,880**	**131,533**
Japan	9,706	102,610	112,316
Singapore	576	5,185	5,761
China	603	0	603
Hong Kong	234	3,329	3,563
South Korea	2,897	5,510	8,407
Malaysia	637	0	637
Others	0	246	246
EUROPE	**11,027**	**76,064**	**87,091**
The European Union	10,095	76,050	86,145
Belgium	115	666	781
Germany	5,496	8,915	14,411
Netherlands	2,978	19,039	22,017
United Kingdom	1,494	42,222	43,716
France	0	604	604
Others	12	4,604	4,616
Other Europe	932	14	946
MIDDLE EAST	**382**	**97**	**479**
Kuwait	189	96	285
Saudi Arabia	0	0	0
Dubai	48	0	48
Others	145	1	146
AFRICA	**75**	**7**	**82**
South Africa	75	7	82
Egypt	0	0	0
Others	0	0	0
OTHERS	**0**	**766**	**766**
TOTAL	**26,137**	**193,814**	**219,951**

Source: Thai Broiler Processing Exporters Association

Table 5: The Comparison of Broiler Meat Exports in 2004 and 2005 (Jan-Jul)

Destination	2004	2005
ASIA	**61,329**	**87,026**
Japan	50,067	80,175
Singapore	3,439	2,585
China	603	0
Hong Kong	2,362	1,861
South Korea	3,975	2,405
Malaysia	637	0
Others	246	0
EUROPE	**51,696**	**55,951**
The European Union	50,750	55,784
Belgium	444	789
Germany	10,408	4,787
Netherlands	14,123	12,637
United Kingdom	23,355	32,973
France	238	223
Others	2,182	4,375
Other Europe	946	167
MIDDLE EAST	**358**	**147**
Kuwait	189	95
Saudi Arabia	0	0
Dubai	48	0
Others	121	52
AFRICA	**75**	**13**
South Africa	75	13
Egypt	0	0
Others	0	0
OTHERS	**366**	**741**
TOTAL	**113,824**	**143,878**

Source: Thai Broiler Processing Exporters Association

Note: Broiler meat exports in the seven months of 2004 (Jan-Jul) include both uncooked products (26,137 tons) and cooked products (87,687 tons), while those in 2005 (Jan-Jul) belong to cooked products only as Thailand no longer exports uncooked items.

End of Report.